

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Develop a  
Successor to Existing Net Energy Metering  
Tariffs Pursuant to Public Utilities Code Section  
2827.1, and to Address Other Issues Related to  
Net Energy Metering.

Rulemaking 14-07-002  
(Filed July 10, 2014)

**SAN DIEGO GAS & ELECTRIC COMPANY'S (U 902-E) COMMENTS  
ON IMPLEMENTATION OF ASSEMBLY BILL 693**

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**SAN DIEGO GAS AND ELECTRIC COMPANY’S (U 902-E) COMMENTS ON  
IMPLEMENTATION OF ASSEMBLY BILL 693**

Pursuant to Judge Anne E. Simon’s July 8, 2016 ruling,<sup>1</sup> San Diego Gas & Electric Company (“SDG&E”) submits these comments. Note that these comments follow option number 3 offered in Judge Simon’s ruling.<sup>2</sup>

**I. INTRODUCTION**

In 2015, parties were invited to file alternative proposals to serve disadvantaged communities with solar as part of this proceeding’s implementation of successor net energy metering tariffs resulting from Assembly Bill (“AB”) 327.<sup>3</sup> On August 3, 2015, SDG&E filed its alternative proposal to expand solar energy within disadvantaged communities.<sup>4</sup> Subsequently,

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<sup>1</sup> *Administrative Law Judge’s Ruling Seeking Proposals and Comments on Implementation of Assembly Bill 693* (July 8, 2016).

<sup>2</sup> Judge Simon’s ruling asks commenters to provide proposals, and it sets forth 26 questions for commenters to answer. Option 3 (*id.*, p. 2) provides that commenters may:

File and serve a proposal for implementing AB 693 and, to the extent that the proposal does not address each issue identified in the questions this ruling, simultaneously file and serve comments responding to the remaining issues.

<sup>3</sup> *Codified in* Cal. Pub. Util. Code § 2827.1. All further statutory references herein are to sections of the Public Utilities Code, unless otherwise specified.

<sup>4</sup> R.14-07-002, ... [SDG&E] *Proposal for Successor Net Energy Metering Tariff* (August 3, 2015), Attachment B:  
[https://www.sdge.com/sites/default/files/regulatory/Proposal\\_NEM\\_Successor\\_Tariff-Filing%20.pdf](https://www.sdge.com/sites/default/files/regulatory/Proposal_NEM_Successor_Tariff-Filing%20.pdf)



as recited in Judge Simon’s ruling, the state legislature passed AB 693,<sup>5</sup> creating the Multifamily Affordable Solar Housing Roofs Program, which is intended to provide financial incentives for the installation of solar energy photovoltaic (“PV”) systems on multifamily affordable housing properties throughout the state. AB 693 specifies criteria for eligibility in the program, targets for installation of solar, identifies elements required for the program under the statute and gives direction to the Commission on program administration.

In response to an earlier ruling by Judge Simon,<sup>6</sup> on November 2, 2015, SDG&E filed comments on the impacts of AB 693, its implications for the NEM 2.0 proceeding, and the parties’ filed alternative proposals for solar to satisfy § 2827.1.<sup>7</sup> SDG&E’s comments discussed its strong support for universal access to cost-effective distributed energy resources (“DERs”) and recognized the value in offering different programs to provide distributed generation (“DG”) solutions to disadvantaged communities (“DCs”). As SDG&E’s comments noted, its alternative proposal for solar in DCs is intended to complement existing programs such as Solar for Affordable Single family Homes (“SASH”) and Multifamily Affordable Solar Homes (“MASH”), to further the goal of promoting greater adoption of DG within residential DCs by overcoming barriers which have not been addressed in other programs.<sup>8</sup> Further, SDG&E’s comments described how its alternative proposal intends to satisfy AB 327 (§ 2827.1), but not AB 693, because of the differences in the statutes. Finally, SDG&E stated that “certain aspects of the legislation [AB 693] operate to limit its applicability and that the AB 693 program will not

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<sup>5</sup> AB 693 (Eggman), Stats. 2015, ch. 582, signed into law by Governor Brown October 8, 2015.

<sup>6</sup> *Administrative Law Judge’s Ruling Seeking Comment on Assembly Bill 693* (October 21, 2015).

<sup>7</sup> *San Diego Gas & Electric Company Comments on Administrative Law Judge Ruling Regarding Assembly Bill 693* (November 2, 2015).

<sup>8</sup> *Id.*, p. 5.

resolve many of the issues that SDG&E's proposed Disadvantaged Communities Program is designed to address.”<sup>9</sup> After consideration of the parties' comment and replies, the Commission decided to undertake the development of alternative proposals for disadvantaged communities under AB 327 and § 2827.1 at a later date in the second phase of the proceeding.<sup>10</sup>

In responding to Judge Simon's July 8 ruling, these comments aim to offer constructive ideas for how to implement the program according to the express parameters of AB 693, based on SDG&E's experience in operating the grid with DERs, administering programs, offering customer service, and the billing for utility service in San Diego. SDG&E reiterates that adoption of AB 693 does not obviate the need for SDG&E's earlier (August 3, 2015) alternative NEM 2.0 DC proposal because of the limitations of the statute itself. Accordingly, SDG&E does not offer this proposal contained herein in any way as a substitute for its earlier-offered DC August 3, 2015 proposal described above. In SDG&E's view, AB 693 does not fulfill the requirements of AB 327: AB 693 is designed to benefit low-income renters only in multifamily complexes of 5 units or more. AB 327 is broader and includes all residents (non- low income and low income single family and multifamily renters and owners), with the focus on assistance to “disadvantaged communities” with a goal of greening these communities of concern. Put differently, SDG&E sees these as two different efforts in order to satisfy two different statutes.

## **II. SDG&E's PROPOSAL**

### **A. Overview – the proposal builds on the MASH program**

ALJ Simon's July ruling (p. 2) offered three options for responding to the ruling. SDG&E's response follows the third option, which is to file and serve a proposal for

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<sup>9</sup> *Id.*

<sup>10</sup> Decision (“D.”) 16-01-044, at 101-102, conclusion of law 26.

implementing AB 693 and to file and serve answers to the questions contained in the ruling to the extent they were not answered by the proposal.

Given the constraints in AB 693, SDG&E proposes herein its thoughts on how a program could be best designed and operated in the time frame available. The majority of this program design is based on SDG&E's deep involvement in low income programs. SDG&E submits that it will be most useful to implement AB 693 by building off of the current MASH program where applicable. There are multiple areas where SDG&E believes the MASH program has been designed in ways that can be leveraged for AB 693 implementation. New requirements must be implemented for those areas of the MASH program that simply do not fulfill the statutory requirements of AB 693.

## **B. SDG&E's proposal compared and contrasted with MASH**

### **1. Items adopted from MASH**

With specific reference to the "California Public Utilities Commission Multifamily Affordable Solar Housing Program Handbook, First Edition," henceforth referred to as the MASH Handbook, SDG&E recommends that several areas of the MASH program, including but not limited to the following, be leveraged for the implementation of AB 693:

1. 3-step application process, which includes guidelines for:
  - a. Reservation request
  - b. Proof of project milestone
  - c. Incentive claim
2. Energy Efficiency/ESA requirements
3. Local hiring requirements
4. Metering Requirements
5. Equipment Certification, Rating Criteria & Design Factor Calculations
6. Field Verifications and Audits
7. Reporting requirements<sup>11</sup>

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<sup>11</sup> All can be found at: [http://www.gosolarcalifornia.ca.gov/documents/MASH\\_Handbook.pdf](http://www.gosolarcalifornia.ca.gov/documents/MASH_Handbook.pdf).

SDG&E finds these program design elements to be generally reasonable, efficient, supporting the utmost in safety, and prudent in order to protect and optimize the allocation of funds.

## **2. Items distinguished from MASH**

The following explains those areas that must be differentiated from MASH, in order to comply with AB 693's requirements:

### **a. Building eligibility:**

To conform to AB 693 requirements, SDG&E's proposal differs from MASH as follows:  
Must be a deed-restricted building financed for low income tenants; AND

1. Either a location in a disadvantaged community, OR
2. A tenant composition wherein 80% of the residents are at or below income levels of 60% of the area median income (AMI).

### **b. Incentive:**

SDG&E proposes a slightly different system incentive per kW than MASH. The justification for the proposed incentive levels is that it is more equitable to property owner investment, irrespective of the system size. In other words, smaller multi-family complexes with PV system size capabilities of 100 kW and under receive a higher incentive, given that these lower-sized systems are generally higher in costs due to lack of economies of scale attendant to larger systems:

- For systems less than 100 kW: \$1.40 per watt
- For systems greater than 100 kW: \$1.80 per watt

This calculation is explored in more detail later in the document, at section C, pp. 10-13 below.

SDG&E proposes decreasing the incentive level over a 5-year period (10% annual step down from the previous year incentive amount) in order to: (1) incent a higher participation rate

earlier on in the program, (2) to capitalize on decreasing solar PV costs over time. Market data<sup>12</sup> indicates that PV system prices continue to decline. And while the proposed incentive is on a declining block, SDG&E believes that it is only so in nominal terms, and not in real terms, since the cost of solar is also projected to decline within the same timeframe. SDG&E believes this is the best way to attempt market transformation.

**c. PV system benefits**

The PV system benefits shall be in the form of bill credits and allocated as follows:

- a minimum of 70% of output to low income tenants;
- a maximum of 30% of output to the building owner.

SDG&E recommends continuing the requirement of an affidavit from the property Owner as part of the application ensuring tenant economic benefit is equal to or exceeds 70% of the monthly output of the incentivized solar PV system, consistent with the MASH process.

SDG&E also recommends that the affidavit requires the property Owner to ensure that:

- No additional costs resulting from enrollment in the program or installation of the PV system over the life of the system, are passed on to the low-income tenant beneficiaries residing in the building, and
- That ongoing operations and maintenance of the system are being performed, and energy production of the incentivized system is being monitored to ensure that projected system production is achieved.

SDG&E believes that the restrictions on the deeds of such properties will most likely have restrictions or requirements dictating the minimum numbers or percentage of units to go to low income tenants as well as the maximum rents that can be charged to those tenants.

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<sup>12</sup> Bloomberg New Energy Finance report “H1 2016 US PV Market Outlook”, published June 6, 2016, and IHS Energy report “US Solar PV Energy Price and Capital Cost Outlook”, 2015–30, published October 21, 2015

**d. Program funding**

Program funding is not through a ratepayer program as MASH is funded, but through the Greenhouse Gas (“GHG”) funds as prescribed in the statute.

**e. Job training**

In order to qualify for a MASH incentive, solar developers/installers must follow job training requirements per section 2.5 of the MASH program handbook’s Program Eligibility Criteria and Requirements section. However AB 693 does not specify job-training requirements to participate in the program, although it requires the establishment of local hiring requirements to provide economic development benefits to disadvantaged communities. As discussed below (p. 23), SDG&E reserves the right to consult with stakeholders from the arena of community development specific to SDG&E’s service territory as part of our network of community-based organizations in order to make a more comprehensive recommendation here.

In sum, SDG&E believes a program designed as described above can accomplish the goals of AB 693, while leveraging MASH without duplicating it, in order to offer more market transformation possibilities. In the next section, SDG&E proposes program details to elaborate on the design outlined above:

**C. Program Details**

**1. Eligibility of the Building:**

There are two categories where eligibility must be established: 1) with the property owner (“Owner”) or his/her third party designate, who receives the incentive for the solar system, and 2) with the tenants and property owner (for common area usage) who are the beneficiaries of ongoing monthly bill credits. The Owner must meet these requirements to participate:

- Under the statute, proof of deed-restricted status as low income housing with five units or more, and one of the two additional requirements as follows:
  - A building location within the census tracts identified in the California Environmental Protection Agency's ("CalEPA") "CalEnviroScreen 2.0" tool.
  - 80% of residents' incomes at or below 60% of area median income ("AMI").

Apart from the statute, SDG&E strongly urges the Commission to find that SDG&E can use the top 20% of census tracts within SDG&E's service area. This proposed use of the CalEnviroScreen tool with the top 20% of tracts in our territory is consistent with the Green Tariff Shared Renewables approach approved by the Commission for SDG&E.<sup>13</sup> SDG&E's approved use of the tool on a service territory (as opposed to statewide) basis is necessary in order to identify any significant number of eligible properties, because SDG&E has very few census tracts in the top percentages identified by the tool, if the parameters are statewide.

It is straightforward for the Owner to provide proof of their deed-restricted status as low income housing. Generally, Owners of this type are participating in federal, state or locally funded housing programs for low income families, or subsidized rent programs with the requisite documentation. These deed restrictions typically include limits or caps on the rents that can be charged to low income tenants, and what portion of the building must be reserved for low income tenants. This is also a requirement in the state's MASH program. Additionally, for building owners to receive tax credits, there are additional regulatory agreements that the property owner has to abide by in order to receive low-income housing tax credits that are allocated by the Tax Credit Allocation Committee ("TCAC"). Documentation from TCAC specifies the required AMI levels of tenants and the percentage and term (years) in place in order

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<sup>13</sup> See, D.15-01-051 at 166, finding of fact 65 and 174-75, conclusions of law 21-22; SDG&E AL-2708-E and 2708-E-A, *approved*, letter from Edward Randolph (April 23, 2015) (approving SDG&E's methodology for use of CalEnviroScreen).

to qualify for these credits. Most affordable housing in MASH are financed and verified in this manner.

It is also relatively straightforward to assess if the CalEPA screening criterion is met through a list of census tract data made available publicly. The second possible way noted above to satisfy the requirement is to verify that 80% of tenants' incomes are less than 60% of the AMI. As stated above, this is also often explicit in the deed-restriction on the property pertaining to how it is funded with the corresponding restrictions. AMI data is published each year by the Office of Policy Development and Research of the U.S. Department of Housing and Urban Development and is publicly available. SDG&E anticipates a process for the landlord to provide proof of low income tenancy levels related to his/her deed-restriction and the contracts related to the owner receiving financing or tax credits since privacy issues would be a concern with respect to obtaining income information directly from the tenant.

The second requirement under the statute is that the building must participate in an energy efficiency audit and program, according to § 2852, which requires participation in a federal, state or utility funded energy efficiency ("EE") program or documentation of a recent EE retrofit. This is in keeping with the state's resource Energy Action Plan which includes the resource loading order,<sup>14</sup> and to ensure that the incentivized PV solar system is not oversized.

SDG&E proposes an additional Owner eligibility requirement that is not contained in the statute or in the MASH program guidelines that SDG&E deems necessary to ensure that the program funds are utilized prudently. This requires that the building roof should be in good condition, and if not, this should be remedied at the expense of the property owner, to support an

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<sup>14</sup> Energy Action Plan Update, State of California, February 2007, which can be found at: <http://www.energy.ca.gov/2008publications/CEC-100-2008-001/CEC-100-2008-001.PDF>.



installed PV solar system. Any repairs or costs associated with the building roof, present and ongoing, should be at the expense of the building Owner.

SDG&E suggests that this program generally follow the MASH program guidelines whenever possible, except in the case of eligibility and reporting requirements as required by the AB 693 statute that are different from MASH. This will ensure that a streamlined program is implemented with an easy and cost-effective process for checking eligibility and enrollment, while protecting ratepayer funds. Another important consideration would be the design of a property owner affidavit as well as a tariff for the building Owner to ensure enforceability of the requirements to not pass any costs of the system onto the tenants, and other issues over the life of the system including the bill credits, allocations, and all the required restrictions that come with a third party owner (such as in a lease situation).

## **2. Eligibility of the Applicant for the Bill Credit:**

AB 693 requires that the incentivized solar systems are to primarily serve low income tenants. For low-income tenants, the proof required should be simple and straightforward, and limited to the same level of documentation required for MASH participation. The statute requires that tariff structures be in place to ensure that low-income tenants participating in the program are provided a “direct economic benefit from the qualifying solar energy system.”<sup>15</sup> Pursuant to the statute, tariffs are to be used to ensure that low income program participants are the primary recipients of the bill credits for the output of the incentivized systems.

## **3. Incentives:**

AB 693 has two requirements regarding the structuring of the incentives for the solar system. They are: 1) that incentives are aligned with installation costs for systems in affordable

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<sup>15</sup> Section 2870(g)(2).

housing markets and take into account federal tax credits; and that 2) no system will receive an incentive greater than 100% of the total system installation costs.<sup>16</sup>

SDG&E proposes that, for the foreseeable future of the first five years of the program, and for the reasons cited below, incentives for the Owner should be on a declining block incentive structure and up to a 100% of qualified system cost for the full program period, pursuant to the total eligible project costs as per MASH guidelines. The 30% solar Investment Tax Credit (“ITC”) for both residential and commercial projects was extended through the end of 2019, and then drops the credit to 26% in 2020, and 22% in 2021 before dropping permanently to 10% for commercial projects and 0% for residential projects.<sup>17</sup> SDG&E believes that the anticipated decline in PV solar costs over time will generally offset the declining incentives and the ratchet down of the ITC 2020 onwards. It is noteworthy that the ratchet down of the ITC occurs in year 5 (2020) of the initial 5-year program period, and even then as long as the project commences construction in 2021 and is placed in service by 2023, it stands to gain the full 30% benefit of the ITC. SDG&E notes that the statute also requires the program be reevaluated at regular intervals and adjustments made to reflect necessary changes to promote growth.

SDG&E envisions that the application process will be consistent with the current MASH program, with (1) a reservation request package including but not limited to proof of eligibility, application fee and system sizing documentation, (2) proof of project milestone package

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<sup>16</sup> Section 2870(f)(4) provides:

The commission shall ensure that incentive levels for photovoltaic installations receiving incentives through the program are aligned with the installation costs for solar energy systems in affordable housing markets and take account of federal investment tax credits and contributions from other sources to the extent feasible.

<sup>17</sup> In addition, the ITC bill included language allowing owners who commence construction on their projects before the end of 2021 to claim the larger credit once their project is placed in service, as long as that project is placed in service before the end of 2023.

including but not limited to execution of a firm contract (purchase or lease) with the solar developer/installer (to stay on the reservation list) and (3) the incentive claim form package that includes proof of completion of several stipulations consistent with MASH processes. While several requirements are the same as the MASH program, there are a few that differ and have been pointed out throughout this document.

The structure of the incentives for the monthly bill credits will be consistent with the treatment of the current MASH successor tariff, Schedule VNM-A-ST, with the only modification being to the allocation between Owner and the tenant/participant ensuring a minimum 70% low-income tenant economic benefit from the incentivized system. Such a requirement is also a part of MASH process, but with a different tenant economic benefit criterion of a minimum of 50%. The system incentive to the Owner should be as described in the table below:

**Proposed Incentive:**  
**\$/kW**

<b>System Size</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
5 kW - 100 kW	1.8	1.6	1.5	1.3	1.2
>100 kW - 1 MW	1.4	1.3	1.1	1.0	0.9

Declining block at the rate of 10% per annum

To illustrate, SDG&E applies the incentives in the following manner to observe the resulting investment and benefits for the property owner:

For example, for systems greater than 100kW up to 1MW:

- The expected cost before incentives or credits averages about \$3.5/Watt in San Diego with greater economies of scale applied (approximately \$350,000)
- The net cost after the 30% ITC is applied: \$2.45/Watt ( or approximately \$245,000)
- The net cost after the AB 693 incentive proposed by SDG&E is applied of \$1.4/kW applied: \$1.05.Watt (or approximately \$105,000)

Therefore, the net cost to the Owner is about \$1.05/Watt or approximately 30% of the entire system, in this illustration totaling about \$105,000. SDG&E proposes up to 30% of the output of the system go to the building common areas. With a 30% kWh allowance for the common areas from the total output, or output equivalent of 30 kW in this illustration, the Owner has an adequate incentive to participate in the program.

SDG&E offers another example below for systems 1 kW up to 100 kW to show the impacts should the cost of solar be higher if economies of scale do not apply in smaller systems:

- The expected cost before incentives or credits \$4.5/Watt
- The net cost after 30% ITC is applied: \$3.15/Watt
- The net cost after AB 693 incentive of \$1.8/kW (proposed) is applied: \$1.05/Watt
- The net cost to the Owner: \$1.35/Watt or, again, approximately 30%.

The Owner will be responsible for enforcing several aspects of the statute including rules around ongoing operations and maintenance as well as periodic reporting requirements, discussed in detail later in this proposal.

The designation of the minimum percentage of the 70% of monthly output of the PV system allocated to each low-income tenant unit will be determined by the property owner, with the remainder allocated to the common area accounts, but not to exceed 30%. This will require the collection of basic data from the Owner on his/her application similar to the MASH program in order to administer the allowance of the bill credits to the Owner and to the tenants under the applicable tariff.

#### **4. Evaluation:**

First of all, the statute requires evaluation by the Commission every three years on expenditures, commitments, uncommitted balances, future demands, performance, and outcomes in order to make adjustments.<sup>18</sup> Therefore, program evaluation should be similar to that of the

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<sup>18</sup> Section 2870(g)(2).

MASH program, which has provided evaluation of the areas of program administration (including program statistics on uptake, numbers of applications received, numbers that are successful in certain milestones, and those that end with an incentive paid, as well as market actor feedback from installers and others), job training evaluation, Energy Efficiency awareness and participation, property Owner experience, and tenant experience feedback. In this way, there will be meaningful data which SDG&E can use to collaborate with its community partners and the Commission in future years to suggest program improvements over time, and to ensure the program becomes even more effective over time, in light of market changes.

### III. RESPONSE TO QUESTIONS IN THE JULY 8 RULING

**1. Section 2870 requires that a property meet the statutory definition of “qualified multifamily affordable housing property” in order to be eligible to receive an incentive from the Program.<sup>19</sup> How should the Program implement this requirement?**

*See SDG&E’s response above in its proposal, pp. 7-10.*

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<sup>19</sup> Section 2870(a)(3) states that:

“Qualified multifamily affordable housing property” means a multifamily residential building of at least five rental housing units that is operated to provide deed-restricted low-income residential housing, as defined in clause (i) of subparagraph (A) of paragraph (3) of subdivision (a) of Section 2852, and that meets one or more of the following requirements:

- A. The property is located in a disadvantaged community, as defined by the California Environmental Protection Agency pursuant to Section 39711 of the Health and Safety Code.
- B. At least 80 percent of the households have incomes at or below 60 percent of the area median income, as defined in subdivision (f) of Section 50052.5 of the Health and Safety Code.

Section 2852(a)(3)(A)(i), cited above, provides the definition:

A multifamily residential complex financed with low-income housing tax credits, tax-exempt mortgage revenue bonds, general obligation bonds, or local, state, or federal loans or grants, and for which either of the following applies:

- (i) The rents of the occupants who are lower income households do not exceed those prescribed by deed restrictions or regulatory agreements pursuant to the terms of the financing or financial assistance.

2. **Should the Program use the CalEnviroScreen tool developed by the California Environmental Protection Agency to determine the boundaries of “a disadvantaged community, as defined by the California Environmental Protection Agency pursuant to Section 39711 of the Health and Safety Code”?<sup>20</sup> Why or why not? If you recommend using another method, please provide sources for the method, a detailed justification for its use, and examples of its potential application to the Program.**

AB 693 identifies the California EPA’s work as the basis for the screening tool. SDG&E agrees that this program utilizes the CalEnviroScreen tool to determine the boundaries of a “disadvantaged community.” However, SDG&E proposed to define “Disadvantaged Communities” for purposes of its Multifamily Program and Schools Program (as part of SDG&E’s August 3, 2015 NEM alternative solar proposal) as locations that are within the top 20% of census tracts within SDG&E’s service territory that are designated as “disadvantaged communities” by the Cal EPA’s California Communities Environmental B-12 Health Screening tool (“CalEnviroScreen 2.0”).<sup>21</sup> Note that for the Green Tariff Shared Renewables program, D.15-05-051 directed the utilities to identify in each IOUs’ territory the top 20% of the most impacted communities using CalEnviroScreen 2.0.<sup>22</sup>

SDG&E’s preferred definition of DCs for the purpose of enrolling customers in programs uses the CalEnviroScreen to target the top 20% of census tracts identified as disadvantaged by the California EPA’s CalEnviroScreen 2.0 tool within SDG&E’s service territory.<sup>23</sup> As described in SDG&E’s alternative proposal (p. 8, *supra*), the reason for this is that without screening for the top 20% of tracts in SDG&E’s service territory (instead of statewide), there are

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<sup>20</sup> The current version is denominated CalEnviroScreen 2.0 and may be found at: <http://oehha.ca.gov/ej/ces2.html>.

<sup>21</sup> R.14-07-002, ... [SDG&E] *Proposal for Successor Net Energy Metering Tariff* (August 3, 2015), cited at p. 1 and n. 4, *supra*.

<sup>22</sup> See p. 8 and n. 13, *supra*.

<sup>23</sup> See p. 8 of <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M155/K634/155634904.PDF>.

actually very few census tracts available for the SDG&E program enrollments. Using a statewide marker extremely limits the numbers of tracts as well as the low income tenants that can receive the credit in SDG&E's area. Use of the statewide criterion may be less problematic for the much larger service areas of the other IOUs.

- 3. What specific types of documentation should an applicant be required to submit in order to demonstrate that it meets all relevant elements of the statutory definition:**
- a. The Section 2852(a)(3)(A)(i) definition of “low-income residential housing;”**
  - b. At least one of:**
    - i. Location in a disadvantaged community, as statutorily defined; or**
    - ii. At least 80 percent of households have incomes at or below 60 percent of Area Median Income (AMI).**

**Provide a justification for the relevance and sufficiency of each type of documentation identified. If more than one type of documentation, or alternative forms of documentation, are recommended, please specify whether any type is preferred, and why.**

For Owners, proof of the deed-restricted building based on how that building was financed will ensure it serves some level of low income tenants and to what degree, if specified. The deed restriction must indicate what type of restriction is in place, rent restrictions, limits or caps; and what purpose the building has in terms of any other details including the levels of disabled or low income tenants, and what regulations are in place to ensure the Owner complies.

After this requirement is fulfilled, the Owner can qualify with proof of either of the two next requirements. For the first option, the location of the building can easily be identified in a CalEnviroScreen 2.0 census tract in the top 20% of disadvantaged communities within SDG&E's service territory.<sup>24</sup> For the second option, SDG&E believes that the deed restrictions and tax credit documents themselves on these properties typically provide the proof of numbers

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<sup>24</sup> As noted above (pp. 8, 15-16), SDG&E uses this definition today in the implementation of its Green Tariff Shared Renewables Program to identify those census tracts.

of low income tenants to meet the second requirements. The AMI data is publicly available on the internet to pair with the verified income of applicants.

- 4. If some tenants of an otherwise qualified property are customers of community choice aggregators (CCAs), should this affect the eligibility of the property for the program? Why or why not? Would the number or proportion of tenants who are customers of CCAs be relevant to your recommendation? How?**

SDG&E does not believe that having CCA customers in a building should affect the eligibility of the property. Currently Direct Access (“DA”) and CCA customers are eligible for NEM and therefore SDG&E does not believe that having CCA customers in a building should affect the eligibility of the property or the other aspects for the program. CCA customers should receive the same treatment as DA and CCA customers under the current Schedule VNM-A-ST. Even if that were not true, SDG&E believes tenants to be somewhat transient and apartment units could move between being occupied by an IOU and CCA customer as tenants change. Additionally, from now through 2020, GHG funds provided by the Air Resource Board are to the distribution companies on behalf of all distribution customers including Energy Service Providers and CCAs, although this has not been decided for years after 2020.<sup>25</sup>

- 5. Should the available incentive funding be allocated as a certain percentage to properties that qualify by virtue of location in a disadvantaged community and to those that qualify by virtue of low-income tenant households? Why or why not?**
- a. If such a division of incentive funding should be made, should a predetermined fixed division be made (e.g., 50 percent to each type)? What percentage should such a fixed division be? Please provide a detailed justification for the recommended proportions.**
- b. Should such a division of incentive funding, if one is made, be determined each program year? For some other time period? Why or why not?**

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<sup>25</sup> D.12-12-033, ordering paragraph 3; *see also* 17 Cal. Code Regs. § 95892 regarding cap and trade regulation.



SDG&E believes that incentive funding should be allocated on a first come, first served basis, which will reduce administrative costs. SDG&E also does not believe special allocations described above are needed because the deed restriction requirement will also require low income tenancy, regardless of the building's location.

- 6. Should the 300 megawatt (MW) capacity goal be allocated as a certain percentage to properties that qualify by virtue of location in a disadvantaged community and to those that qualify by virtue of low-income tenant households? Why or why not?**
- a. If such a division of MW should be made, should a predetermined fixed division be made (e.g., 50 percent to each type)? What percentage should such a fixed division be? Please provide a detailed justification for the recommended proportions.**
  - b. Should such a division of MW, if one is made, be determined each program year? For some other time period? Why or why not?**

The answer to this question is the same initially as to the question (#5) above. The deed restriction on this property usually also includes a low income tenancy requirement. But, further, this question also implies the need to consider the solar viability of a structure. Available roof space, roof orientation and number of floors are some of the crucial factors that will be used in determining the amount of solar panels that can be deployed within a multifamily complex, and therefore affect the MWs achievable. These factors are out of SDG&E's control. As a result, the MW goal by location or low-income tenant households is not feasible nor is it cost-effective from a program administrative perspective.

- 7. What type of incentive structure should the Commission adopt for the Program? Should the Commission implement an upfront, estimated performance-based incentive, similar to the MASH program, or should a different incentive structure be adopted (e.g., an auction mechanism)? Please describe why your proposed incentive structure would be best suited to achieving the Program goals.**
- a. Please describe in detail how your proposal complies with the requirement of Section 2870(f)(4).<sup>26</sup>**

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<sup>26</sup> Section 2870(f)(4) provides:

- b. If you believe an upfront incentive structure should be adopted, please describe how the incentive level or levels should be determined. Please include quantitative data to support your recommendation.**
- c. If you believe a different incentive structure should be adopted, please describe in detail how such a structure would be implemented. Please include quantitative data to support your recommendation**

SDG&E has provided its proposal for incentive structures above in its proposal, pp. 4, 5, 10-13, *supra*.

**8. Would a solar energy system paired with a storage device meet the definition in Section 2870(a)(4) of “solar energy system”?<sup>27</sup> Why or why not?**

Both § 2870(a)(4) and Pub. Res. Code § 25782 focus on solar system equipment and omit any mention of energy storage equipment. SDG&E submits that a plain reading of the relevant statutes establishes that the incentive is available only for the solar system portion of the installation, but it does not preclude the addition of storage to the system at the Owners’ expense.

**9. If you believe that a solar energy system paired with a storage device meets the Section 2870 definition, should the Commission adopt incentive levels or structures for these projects that differ from the incentive structure that you have recommended in response to Question 7 for systems without storage? If so, how should the incentives differ? Please be specific and provide quantitative examples if relevant.**

SDG&E does not believe at this time that a different structure should be recommended.

The solar portion should qualify for the incentive and should be priced competitively and

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The commission shall ensure that incentive levels for photovoltaic installations receiving incentives through the program are aligned with the installation costs for solar energy systems in affordable housing markets and take account of federal investment tax credits and contributions from other sources to the extent feasible.

<sup>27</sup> Section 2870(a)(4) defines “solar energy system” as “a solar energy photovoltaic device that meets or exceeds the eligibility criteria established pursuant to Section 25872 of the Public Resources Code.”

Pursuant to Pub. Res. Code § 25872, the California Energy Commission (CEC) created “Guidelines for California’s Solar Electric Incentive Programs” which establish eligibility criteria, conditions for incentives and rating standards to qualify for ratepayer-funded incentives. The Guidelines are found at: <http://www.energy.ca.gov/2012publications/CEC-300-2012-008/CEC-300-2012-008-ED5-CMF.pdf>.

separately from the storage. Increasing or incenting battery storage was not the intent of the statute, given that it was never mentioned.

**10. Which, if any, features of the California Solar Initiative (CSI) and Multifamily Affordable Solar Homes (MASH) programs should be continued under the Program?<sup>28</sup> Examples include:**

- **Systems must be installed by a contractor with an active Contractors State License Board (CSLB) license.**
- **Generation system equipment eligibility rules including.**
  - **System size justification and sizing based on future load growth**
  - **System size between 1 kW CEC-AC and 1 MW CEC-AC**
- **Warranty requirements**
- **Performance and permanency requirements**
- **Requirement to interconnect to the electric utility's distribution system**
- **Energy production metering requirements**
- **Inspection requirements**
- **Energy efficiency requirements**
- **Incentive limitations including total eligible project costs, other incentives/rebates received, and project size and host customer site limitations**
- **Application process (Reservation Request, Proof of Project Milestone, Incentive Claim)**
- **18-month incentive reservation period**
- **Payment designation process**
- **Other aspects to ensure systems meet the eligibility criteria established by the CEC pursuant to Section 25782 of the Public Resources Code.**

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<sup>28</sup> Please see CSI General Market Program Handbook at: [http://www.gosolarcalifornia.ca.gov/documents/CSI\\_HANDBOOK.PDF](http://www.gosolarcalifornia.ca.gov/documents/CSI_HANDBOOK.PDF) and MASH Program Handbook at: [http://www.gosolarcalifornia.ca.gov/documents/MASH\\_Handbook.pdf](http://www.gosolarcalifornia.ca.gov/documents/MASH_Handbook.pdf).

**For each program feature that you recommend be adopted for the Program, please provide a justification for its applicability and effectiveness for the Program.**

SDG&E has provided its recommendations in its proposal above.<sup>29</sup> All of the above requirements appear to be acceptable and prudent safety considerations for solar installations, or to be consistent with other types of processes used in EE program management. In fact, the EE program requirement is included in the statute, as is a minimum requirement of 5 multi-family units for complexes to be eligible, so the kW minimum in the above list is superseded by the statute. SDG&E believes that all of the examples cited in the question above should be continued consistent with MASH guidelines or process in this program. SDG&E believes that these requirements have been vetted and tested over time in MASH, and adjusted where necessary, and therefore reflect refinement and use in the field. Fundamentally, these requirements also protect ratepayer dollars and in this program, would ensure optimal output by the systems to serve low-income tenants as intended. Where experience shows SDG&E differently, in the future, when implementing this program, SDG&E will suggest such changes at that time.

**11. How should the requirements regarding third-party owned systems set out in Section 2870(f)(3) be implemented?<sup>30</sup> Please specifically address at least the following statutory requirements:**

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<sup>29</sup> See, pp. 5-14, *supra*.

<sup>30</sup> Section 2870(f)(3) provides:

The Commission shall require that qualifying solar energy systems owned by third-party owners are subject to contractual restrictions to ensure that no additional costs for the system be passed on to low-income tenants at the properties receiving incentives pursuant to the program. The Commission shall require third-party owners of solar energy systems to provide ongoing operations and maintenance of the system, monitor energy production, and, where necessary, take appropriate action to ensure that the kWh production levels projected for the system are achieved throughout the period of the third-party agreement. Such actions may include, but are not limited to, providing a performance guarantee of annual production levels or taking corrective actions to resolve underproduction problems.

- **Enforcing contractual restrictions that ensure no additional costs are passed on to low-income tenants.**

With respect to a PV solar system leased to a qualified property, the owner of the system will not be the property Owner, but in fact a third party lessor with whom the lease contract is active. The Program will provide the incentive to the third party. The property Owner is the party to a lease contract along with the third-party lessor. The program will hold the property Owner responsible for upholding all aspects of the lease contract in order to meet the program requirements. In order to ensure that no additional costs are passed on to the low-income tenant beneficiaries residing in the building, and as described in the program design section of this document, SDG&E recommends the requirement of an additional affidavit signed by the property owner to that end along with the tariff.

Additionally, SDG&E understands that, for a multifamily residential complex to be “deed restricted” as required by the statute, it will typically limit the rents of the occupants and they must not exceed those prescribed by deed restrictions or regulatory agreements which are attached to the deed. SDG&E believes the requirements detailed above adequately ensure that additional costs are not passed on to low-income tenants.

- **Requirement that third-party system owners provide ongoing operations and maintenance of the system, monitor energy production and ensure that projected system production is achieved.**

SDG&E’s proposal, requiring the building owner every three years to provide proof of system performance, will apply to both outright purchased and leased systems. The property Owner should be responsible for enforcing the requirement of the statute that third-party system owners provide ongoing operations and maintenance of the system, monitor energy production and ensure that projected system production is achieved.

**12. What types of local hiring requirements should be adopted?**

- a. How should the local hiring requirements be designed to ensure that they “provide economic development benefits to disadvantaged communities”?<sup>31</sup> Please address, among other things, whether the requirements should be focused on hiring residents of disadvantaged communities and/or on businesses located in disadvantaged communities.**
- b. Should these requirements include job training requirements similar to MASH?<sup>32</sup>**

In general terms, SDG&E believes this would be an area that could mirror what is required in the current MASH program. This could also be an area where it would help to further collaborate with our existing, robust local network of stakeholders and community-based organizations who: 1) know SDG&E’s economic and workforce availability as we do; and 2) know disadvantaged community needs best in order to achieve the greater success, in particular within the census tracts that are in the top 20% within SDG&E’s territory as taken from the CalEnviroScreen tool. The tracts are in very diverse locations and are very spread out. This indicates a need for SDG&E to partner with local its network of community-based organizations who work where the tracts are located in order to achieve the best outcome of some true, measureable economic benefits to the DCs. AB 693 presents a ripe opportunity to leverage SDG&E’s deep involvement with these communities based its ongoing work in other Commission programs.

**13. How should the Commission implement the requirement that the electricity generated by incentivized systems “be primarily used to offset electricity usage by low-income tenants”?<sup>33</sup> Please address at least the following:**

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<sup>31</sup> Section 2870(f)(6).

<sup>32</sup> MASH job training requirements are described on pp. 23-25 of the Program Handbook: [http://www.gosolarcalifornia.ca.gov/documents/MASH\\_Handbook.pdf](http://www.gosolarcalifornia.ca.gov/documents/MASH_Handbook.pdf).

<sup>33</sup> Section 2870(f)(2).

- a. Should all, or a percentage of, electricity generated by the system offset low-income tenants' usage? Please provide a justification, including quantitative examples if relevant, for your recommendation.**

Please refer to SDG&E's proposal above.<sup>34</sup> As stated there, a majority percentage (70%) of the electricity generated should be reserved to offset low income tenant usage. There must be an incentive for the property owner, who is the ultimate decision maker as to participating in this program. Additionally, the incentive structure proposed only partially funds the cost of the PV solar system, and will require the property owner to make an investment to cover the remaining cost of the system after the ITC and program incentive is applied. The statute requires that this cost is not passed on to the low-income tenants. Moreover, SDG&E's proposal does not make it economical for the property owner to oversize the system since a minimum of 70% of the output of the PV system is required to benefit low-income tenant usage. As a result, SDG&E believes that a cap of a 30% common-area credit is appropriate in order to incentivize the property owner to participate in the program. It could be less if the Owner has less need, or lower usage than the 30% cap. It is noteworthy that the property owner has to commit to additional stipulations as part of receiving this incentive, such as responsibility for the optimal operation and maintenance of the incentivized system and periodic ongoing reporting requirements, etc. as part of program participation. The success of this program depends upon adequately incentivizing the property owner to participate in the program. Therefore, SDG&E proposes up to 30% of the entire usage to be credited to the Owner.

- b. If you believe only a percentage of electricity generated by the system should be required to offset usage by low-income tenants, please propose and justify a method for allocating the percentage, including quantitative examples.**

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<sup>34</sup> See, pp. 11-13, *supra*.

See SDG&E's program design regarding common areas, landlord incentive for participation and bill credits to low income residents to satisfy the statute and to implement this as a way that is not overly burdensome, while attracting building owners to the program.<sup>35</sup>

**c. How should the Program Administrator(s) verify that electricity generated by incentivized systems is offsetting electricity usage by low income tenants? In your response, please discuss at least:**

**i. The role of utility allowances, and**

**ii. Required covenants or restrictions in deeds.**

SDG&E proposed its ideas on this area in its proposal, which includes verifying low income status, and requiring verifications of the documents which prove deed-restriction related to low income, or affordable housing. The bill credit for generation from the incentivized PV system is applied, in accordance with the percentage allocation provided by the property-owner.

**d. Which utility tariffs and credits should qualify as meeting the requirements of Section 2870(g)(1)?<sup>36</sup> Please identify any other issues of coordination with current utility tariffs and credits that should be considered in the implementation of the Program.**

As noted above, SDG&E proposes to use Schedule VNM-A-ST with no changes to the incentive structure and only limited modifications to applicability to meet AB 693 program requirements.

**14. How should the Commission address the requirements of Section 2870(g)(2)?<sup>37</sup>**

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<sup>35</sup> See, pp. 7, 10-13, *supra*.

<sup>36</sup> Section 2870(g)(1) provides:

Low-income tenants who participate in the program shall receive credits on utility bills from the program. The Commission shall ensure that utility bill reductions are achieved through tariffs that allow for the allocation of credits, such as virtual net metering tariffs designed for MASH Program participants, or other tariffs that may be adopted by the Commission pursuant to Section 2827.1.

<sup>37</sup> Section 2870(g)(2) provides:



- a. **Which existing tariffs could this requirement implicate? Please specifically describe the relationship of Section 2870(g)(2) to each tariff identified.**
- b. **How should the Commission account for the impact of potential changes to utility tariffs being considered in other proceedings or contexts (e.g., residential rate redesign) on the obligation set out in Section 28709(g)(2)?**

Please see response above in answer to question 13.

- 15. Should the Program include a limit on the amount of incentive payments that can be paid to projects developed by any one third-party owner, supplier or installer of qualified solar energy systems? Why or why not? If there should be such a limit, how should it be determined?**

SDG&E recommends that the market should be competitive, without carve outs and on an equal playing field. In this way, the interests of ratepayers are protected, and the competition should provide the best price for the systems overall.

- 16. Should the Program include a limit on the number of MW for which projects developed by any one third-party owner, supplier or installer of qualified solar energy systems may be paid with Program incentives? Why or why not? If there should be such a limit, how should it be determined?**

SDG&E's response for question 16 is the same here as for question 15.

- 17. What program administration structure should be adopted? Please address at least the following with specificity:**
- a. **Both the benefits and the drawbacks of utility administration;**
  - b. **Both the benefits and the drawbacks of third-party administration;**
  - c. **Both the benefits and the drawbacks to selecting one statewide administrator;**
  - d. **Both the benefits and the drawbacks of selecting different administrators in each utility territory;**
  - e. **If you believe a third-party administrator should be selected through a competitive bidding process, what criteria should be used to evaluate proposals?**

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The Commission shall ensure that electrical corporation tariff structures affecting the low-income tenants participating in the program continue to provide a direct economic benefit from the qualifying solar energy system.

**f. What, if any, program rules or funding/budget specifications would be affected by your recommendation for administrative structure?**

First, SDG&E has written extensively on these issues recently in its opening and reply comments in the energy efficiency proceeding wherein the ALJ issued a ruling seeking input on the viability of various approaches for statewide and third party programs.<sup>38</sup> SDG&E would refer the Commission to the overarching principles stated there in greater detail. In response to the questions above, especially related to this AB 693 program, SDG&E's approach is similar and does not differ too greatly. In opening comments, SDG&E stated (p. 2):

With a "one size fits all" approach, a single implementer will lose the flexibility to serve customers in unique ways that are critical to consider given the geographic and demographic diversity across the various service territories. This would apply to programs or strategies within programs that are directed at specific communities that are coordinated with local governments, business/economic districts and community groups.

At the time, SDG&E was not writing to address this program. However, this is the very kind of program that requires the specific geographic and demographic diversity, referred to in the R.13-11-005 comments that would benefit greatly from specialized knowledge of business/economic issues that are local working with community groups. SDG&E already has that knowledge and those relationships. Given that this program has EE requirements to be met, rate education, bill credit and billing services involved, as well as hiring requirements to be determined that are to satisfy the statute specific to the census tracts – SDG&E cannot see how a statewide administrator or a third party administrator for this program would work in San Diego with a high degree of effectiveness. Further, this is a down stream program, and does not require nor does it benefit from a statewide administrator. SDG&E has the ability to integrate other

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<sup>38</sup> R.13-11-005, *Opening Comments of SDG&E on Ruling of Assigned Commissioner and Administrative Law Judge Seeking Input on Approaches for Statewide and Third Party Programs* (June 17, 2016); replies filed July 1, 2016.

established program offerings that are available to these specific audiences in our marketing and outreach efforts, as well as leverage partnerships with local organizations that already have established relationships with these target groups.

SDG&E's opening comments further argued that there has been no record developed in the EE proceeding to prove that third party or statewide administration of those programs has been done any more effectively than what an IOU could offer.<sup>39</sup>

Whether or not the Owner or host customer directly receives the upfront incentive payment or requests the program administrator to redirect it to a parent company, solar financing firm, or other third-party system owner, the host customer and its installer must still interact with its serving utility for approvals and billing arrangements related to any interconnection, net metering, and virtual net metering requirements. How can a third party, whether local or statewide, eliminate or streamline any processes, given the required interaction with the IOU? To provide benefits, an IOU can leverage existing required services such as customer service, rate education, current virtual net metering, as well as robust programs with the low income population and community relationships. With SDG&E administering this program, there would be reduced the waiting time for building owner incentives, since a third party administrator would not be invoicing SDG&E for the payments, which would thereby reduce the number of steps. SDG&E sees no drawbacks to utility administration of this particular program at this time and urges the Commission to permit SDG&E administration of the program in its territory.<sup>40</sup>

**18. In D.12-12-033, the Commission established a framework for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), Liberty Utilities (CalPeco Electric) LLC**

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<sup>39</sup> *Id.*, R.13-11-005 opening comments, p. 7.

<sup>40</sup> Note that utility administration does not rule out the utility employing contractors for portions of the administration.

**(Liberty), and PacifiCorp to distribute proceeds of greenhouse gas (GHG) allowances allocated to electric investor-owned utilities (IOUs) in furtherance of the goals of AB 32 (Nuñez/Pavley), Stats. 2006, ch.488 (the Global Warming Solutions Act of 2006), to their customers. The GHG allowance proceeds identified in Section 748.5 and called out in Section 2870 are those of “an electrical corporation,” a category that includes all five utilities listed above.**

- a. Should PG&E, SCE, SDG&E, Liberty, and PacifiCorp all be required to contribute GHG allowance proceeds to fund the Program? Why or why not?**
- b. Should incentives from the Program be available to eligible projects in the service territories of all five utilities? Why or why not?**
- c. If you believe that any of the five IOUs should be exempt from contributing to and/or having projects in their service territories participate in the Program, please provide an explanation for the recommended exemption(s).**

AB 693 requires the above organizations to contribute GHG allowance proceeds to fund the program and D.14-10-033 sets out a framework for implementing it. Incentives should be available in the SDG&E service area, but would be available only to the extent that they are not already allocated to other programs with Commission approval. This is consistent with the statute which clearly requires that the funds allocated be “available” funds.

**19. Section 2870(c) directs the Commission to annually authorize “the allocation of one hundred million dollars (\$100,000,000) or 10 percent of available funds, whichever is less, from the revenues described in subdivision (c) of Section 748.5,” to fund the Program. The statute also allows up to 10 percent of total funds allocated to the Program to be used for administration.<sup>41</sup>**

- a. If the annual allocation of funds is \$100,000,000 (because this amount is less than 10 percent of available funds), how should each IOU’s contribution be determined (e.g., based on retail sales, based on another methodology)? Please provide a detailed explanation for the method chosen. Please provide quantitative examples, including a complete calculation with your recommended method.**

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<sup>41</sup> Section 2870(e) provides that “[n]ot more than 10 percent of the funds allocated to the program shall be used for administration.”

The IOUs' contribution should be 10 percent of available funds since it is less than \$100,000,000. Available funds should be determined as SDG&E did in its 2017 ERRRA filing (A.16-04-018).

The ARB allocates cap-and-trade allowances to SDG&E for 2017. SDG&E is required to place all of these allowances for sale in ARB's 2017 quarterly auctions. SDG&E developed a forecast of allowance revenues by multiplying the total number of allowances allocated to SDG&E for consignment by a forecast price for the allowances based on the methods approved in D.14-10-033.

The allowance auction revenue forecast is the allowances allocated times the allowance price. Available funds for clean energy investments are equal to 15 percent of the forecasted allowance auction revenue per SB 1018. The amount available for AB 693 projects is then 10 percent of this amount unless the IOU has pre-committed dollars to other clean energy investments. In this case, the funds would be allocated the amount of dollars available up to the calculated amount available for AB 693. If the amount is less, it should be prorated proportionately to the IOUs along the same allocation as the GHG funds.

SDG&E's 2017 ERRRA filing included AB 693, establishing the Multifamily Affordable Housing Solar Roofs Program to provide financial incentives for installation of solar energy systems on multifamily affordable housing properties. The 2017 amount was \$1,315,911, which is 10% of the forecasted 2017 available funds for clean energy investments of \$13,159,105 (less any other funds approved previously from this fund) as described in that proceeding in the testimony of SDG&E witness Benjamin Montoya.

- b. If the annual allocation of funds is 10 percent of available funds (because this amount is less than \$100,000,000), how should each IOU's contribution be determined (e.g., based on retail sales, based on another methodology)? Please provide a detailed explanation for the method chosen, including the**

**calculation of “10 percent of available funds.” Please provide quantitative examples, including a complete calculation with your recommended method.**

Please see response above, where this question was answered as part of 19.a.

- c. **While AB 693 discusses the Program budget in terms of fiscal years (see, e.g., Section 2870(c)), IOUs record and distribute GHG allowance proceeds over the course of a calendar year. Do funding calculations need to account for this timing difference? If so, how? Please provide quantitative examples, if relevant.**

SDG&E currently utilizes the annual ERRA Forecast proceeding for GHG-related allowances, proceeds and expenditures and would use the same methodology for this program.

- d. **Since the amount of annual GHG allowance proceeds in future years is unknown, the amount of funding available for the Program each year cannot be specified in advance. How should budgets for the Program be determined in the context of this uncertainty? Please provide specific justifications for your proposed method.**

SDG&E supports the approach the Commission adopted throughout D.14-10-033 and its attachments.<sup>42</sup> The balancing account allows the utility to track the funds authorized based on the GHG/ERRA forecasts against the actual auction proceeds, which only come in at the end of the year. SDG&E will roll the amounts forward to the next program year, and this will be taken into account when setting future program budgets. If there is an excess of funds at the end of the program (*e.g.*, the IOU sold more GHG allowances than forecasted) then the IOU would return the money to the GHG balancing accounts.

- e. **What types of activities should administration funds be used for? Please specifically address at least: program administration; measurement and evaluation; and marketing and outreach.**

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<sup>42</sup> D.14-10-033 describes accounting, accrual, ERRA treatment of, true-up and other specifics to GHG costs being tracked, as well as revenues.

Consistent with other programs benefitting low-income customers and customers in disadvantaged communities, administration funding should be used for program administration as the question indicates, including but not limited to:

**1. Program Management.** Costs associated with this category cover activities such as: establishment/management of procedures, application review/verification, system costs and maintenance, budget management/oversight, contractor coordination and workflow management. SDG&E plans to leverage existing staff already working on low income programs to administer this program to achieve economies of scale. The functions we could leverage include but are not limited to: program manager, system support, system development, budget/reporting analyst, contractor liaison and workflow specialist. Existing SDG&E program staff would work with existing vendors and systems to assist with enrollment and verification throughout the process similar to our Energy Savings Assistance Program. Any work for this program would be considered incremental and therefore not require the program to bear the full cost of the site visit/enrollment visit. SDG&E will also leverage its existing application and workflow management system for this program and anticipates cost savings due to economies of scale. In the event many of the existing system configurations could be utilized the cost of system integration would be under \$50,000 (final figures would be dependent final specifications provided by the Commission). SDG&E is also open to using the pre-existing central system already utilized by MASH statewide. The budget for that would be contingent on licensing and management fees set by the statewide vendor.

**2. Marketing and Outreach.** SDG&E will leverage existing marketing, education and outreach where possible. SDG&E already works with San Diego Housing Commission representatives and other groups representing the low income community to coordinate services for the Energy Savings Assistance program participants and could seamlessly incorporate this program into existing outreach and marketing efforts. SDG&E will utilize highly successful tactics that have allowed it to meet or exceed goal for the Energy Savings Assistance for several years. Costs in this category represent all the costs related to printing and mailing as well as costs related to postage, brochures and flyers, advertising, marketing staff and agency-related support efforts are also included in this category.

**3. Measurement and evaluation.** SDG&E will conduct measurement and evaluation for this program consistent with protocols for the MASH program which has provided evaluation of the areas of program administration (including program statistics on uptake, number of applications received, numbers that are successful in certain milestones, and those that end with an incentive paid, as well as market actor feedback from installers and others), job training evaluation, Energy Efficiency awareness and participation, property owner experience and tenant experience feedback. Additionally, SDG&E will ensure to evaluate the program every three years consistent with the statute cited in Section 4: Evaluation. Where possible, SDG&E will work with the other implementers statewide to maximize measurement and evaluation dollars through collaboration.

**f. What proportion of the total Program budget (not exceeding 10 percent) should be allocated to administration? Please justify the number chosen with reference to the activities identified in response to Question 22e.**



Since the amount of annual GHG allowance proceeds in future years is unknown, the amount of funding available for the Program each year cannot be specified in advance. As a result, SDG&E has responded to this question regarding program administration costs in dollar terms instead of percentages.

SDG&E believes it can administrate this program, including all of the categories in questions 22.e for less than the allocated 10% maximum by leveraging its current activities related to customer assistance, multifamily residences and energy efficiency. SDG&E does not believe that marketing costs would be high given the attractiveness of this program and the history of MASH in our service territory being fully subscribed, which is an indicator of the need. Further SDG&E intends to leverage its existing low income program marketing and community-based organizations network for this effort to gain the greatest possible efficiencies.

Applying conservative estimates, SDG&E proposes to allocate up to \$556,000 of the total five year budget towards administration over the initial five year program period (based on a total annual budget of \$1.3 million for each of 5 years). This is illustrated in the table below. If the GHG revenues fluctuate, or are lower than forecasted, the number could be adjusted accordingly. SDG&E would make every effort to streamline processes and allocate resources to achieve further economies.

<b>Estimated Administration Budget Over 5 Years</b>	
<b>Budget - Line Items</b>	<b>Total Budget</b>
Program Administration	\$ 486,000
Marketing & Outreach	\$ 45,000
Measurement & Evaluation	\$ 25,000
<b>Budget</b>	<b>\$ 556,000</b>

- 20. What is the appropriate regulatory accounting mechanism for the IOUs to use to set aside GHG allowance proceeds for the Program? Please explain in detail the basis for your recommendation.**

SDG&E proposes to establish a new memorandum account with the same mechanism as the Greenhouse Gas Administrative Costs Memorandum Account authorized in D.12-12-

033. The new account would be funded from the GHG Revenue Balancing Account.

- 21. The California Air Resources Board's Cap-and-Trade Regulation prevents utilities from publicly disclosing auction bidding information, including intent to participate in an auction, bidding strategy, and bid quantity information (17 CCR § 95914 (c)(1)). How should the Commission take this requirement into account in structuring the funding and budgeting for the Program?**

The requirement is irrelevant to the allowance allocation and auction process. The methods adopted in D.14-10-033 are sufficient.

- 22. The Commission is required to establish energy efficiency requirements for the Program.<sup>43</sup>**

- a. How should such energy efficiency requirements be determined? Should the Commission simply adopt requirements equal to those in Section 2852? Why or why not?**

Optimizing energy efficiency savings should be given high priority in order to maximize the value the customers derive from the program and to carry out the Commission's vision of integrated demand side management. To that end, the Commission should look to the MASH program, which has energy efficiency requirements far more robust than those contained in § 2852 alone.

- b. If the Commission should adopt different energy efficiency requirements, how should those requirements be determined?**

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<sup>43</sup> Section 2870(f)(7) provides:

The Commission shall establish energy efficiency requirements that are equal to the energy efficiency requirements established for the program described in Section 2852, including participation in a federal, state, or utility-funded energy efficiency program or documentation of a recent energy efficiency retrofit.

Similar to MASH, an energy efficiency walkthrough audit or enrollment in a utility, or federally provided whole-building multifamily energy efficiency program should be required for all existing multifamily affordable housing communities to be eligible for the program.

Acceptable audit protocols would consist of an onsite walkthrough audit of American Society of Heating, Refrigerating and Air-Conditioning Engineers (“ASHRAE”) Level 1 or higher. Further, the audit should have been conducted within the past three years from the initial Program application submittal date. These types of audits may be offered by the utilities or third party providers. The Owner would be responsible for any costs associated with the ASHRAE walkthrough audit or any equivalent walkthrough audit through a third-party provider or if applicable, costs associated with those that are available through a utility program.

**c. What documentation should applicants be required to provide of compliance with the requirements set in accordance with Section 2870(f)(7)?**

After the audit described above is performed, the Owner should be responsible for submitting a copy of the completed Energy Efficiency Audit ASHRAE Level 1 or higher documentation. A Title 24 report should not be accepted as proof of an energy efficiency walkthrough audit. In lieu of an onsite walkthrough audit described above, proof of enrollment in a utility, or federally provided whole-building multifamily energy efficiency program should be required.

In addition, an Energy Efficiency Disclosure, similar to the one employed in MASH, should be signed and completed by the Owner. The Disclosure would certify that the Program Administrator has provided the Owner with information regarding their building that enables them to make informed decisions on energy efficiency. The Disclosure would identify which, if any, energy efficiency measures will be taken. If measures are going to be installed after the

solar installation, then the Owner should declare on the Disclosure which measures have or will be installed.

Finally, the Owner should acknowledge that the following information has been reviewed:

- Most recent 12 months of the building's energy consumption;
- List of building energy use assessment services and tools available for use by the building owner for further investigation;
- List of possible cost-effective EE measures applicable to the building; and
- List of current utility EE rebates and incentives that are available.

**23. Should the Commission establish interim targets for the installation of capacity under the Program?<sup>44</sup> Why or why not? How should such interim goals, if they are appropriate, be determined?**

No. SDG&E submits that the Commission should not set interim targets for installation capacity under the program. Many factors go into assessing how many complexes might qualify by location, deed assessment and tenant make up. Further, there are roof criteria that must be met as well as solar orientation requirements. Only then is it possible to know what the market size may even be for a given territory and that work has not been done. So establishing targets would be futile now at best. Additionally, SDG&E believes that its program, as designed here, is attractive to Owners. Similar to MASH, SDG&E does not see that this program will be undersubscribed if implemented as proposed. If the Commission's adopted program is less attractive, the uptake will be less robust.

**24. What types of data collection and reporting requirements should the Commission adopt for the Program? Please include a discussion of whether data from the Program should be reported on the Cal DG Stats website that is currently under**

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<sup>44</sup> "The target of the program is to install a combined generating capacity of at least 300 megawatts on qualified properties." (Section 2870(f)(1)).

**development and intended to replace the current California Solar Statistics website.<sup>45</sup>**

The data collection and reporting requirements for the program should be consistent with the data collection and reporting requirements for MASH, as well as the California Solar Initiative (“CSI”) Program for DG stats.

**25. What safety issues should be considered in the implementation of the Program? Please specify who should be responsible for meeting any safety requirements you identify (e.g., applicant, utility, supplier of solar energy system, etc.)?**

SDG&E’s Electric Rule 21 sets forth the requirements for safely connecting a solar energy system to SDG&E’s electric grid. Additional safety requirements specific to the program should be consistent with all of the safety requirements applicable under the MASH and CSI programs.

**26. Please identify and, if relevant, comment on any additional topics related to implementation of the Program that are not addressed in the questions above.**

The ruling did not address any costs related to this program that would be incurred by an IOU, in its role as the utility, whether or not it is the program administrator. SDG&E notes that there will be additional billing work on a regular monthly basis related to the allocations for the bill credits and some back office work including checking billing exceptions on a regular monthly basis. Those expenses are not covered typically in program administration by the administrator. SDG&E applied for VNEM billing costs for supporting VNEM programs known at the time, including MASH which SDG&E does not administer, within its General Rate Case application. However, SDG&E’s last GRC application did not include any incremental budget to support AB 693 implementation. Given that SDG&E does not know the final AB 693 program design at this time, and whether any necessary process or system changes may be more

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<sup>45</sup> <https://www.californiasolarstatistics.ca.gov/>.

robust than anticipated, SDG&E proposes to recover the utility costs for this program under its GRC applications in the future.

#### **IV. CONCLUSION**

SDG&E asks the Commission to adopt the proposal set forth above.

Respectfully submitted,

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